

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF THE MEXICAN
LIGHT AND POWER COMPANY, LIMITED, and SUBSIDIARY COMPANIES,
FOR THE YEAR ENDED DECEMBER 31, 1973.


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Income from the sale of electric energy during 1973 amounted to 2,968.3 million pesos which, in addition to other miscellaneous earnings, totalled 2,980.0 million pesos. This operating revenue was higher by 320.0 million pesos than the revenue for 1972. The 12% increase - which this represents is considered acceptable since the demand for electric energy is growing at a rate almost equal to that mentioned above.

The increase in revenue was greater than that registered in operating expenses which were 2,508.7 million pesos. This amount is 3.7% higher than that for 1972, that is, an increase of 88.6 million pesos.

A net operating profit was thus obtained amounting to 471.3 million pesos. However, the net financial cost of 485.4 million pesos determined at first a loss of 14.1 million pesos. This amount was decreased by 11.1 million pesos obtained from other miscellaneous earnings but, to the resulting loss of 3.0 million pesos, 1.9 million pesos must be added for the provision to employees' share in profits of its subsidiary company, Compañía de Luz y Fuerza del Centro, S.A., thus showing a net loss of 4.9 million pesos.

Aside from the above, the shareholders should be advised that on September 17, 1973, all active and retired personnel of the above



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mentioned subsidiary company was granted an emergency raise in salary of 20 pesos per day; this increase amounted to 107.4 million pesos up to December 31, 1973. The estimated result of this measure for the coming year will amount to 370.0 million pesos under the terms of the present labor contract.

On the other hand, as of October 16, 1973, the Federal Government authorized new tariffs for the electric service given by the Company. The net increase in revenue from the sale of electric energy during 1974 is estimated at 948 million pesos. However, this estimated increase will be seriously reduced due to the terms of the new Collective Labor Contract becoming effective next March 16, which will expectedly increase the labor costs of the Company.

The expense items which have registered greater variations are the following:

	<u>1 9 7 3</u>	<u>1 9 7 2</u>	<u>Increases (Decreases)</u>
Salaries and social benefits	1,253.3	1,273.2	(19.9)
Net financial cost	485.4	347.2	138.2
Fuel	129.8	92.1	37.7
Provision for depreciation and amortization	197.1	167.0	30.1

The decrease in salaries and social benefits was due to a study made in 1973 which determined the capitalization of 202.0 million pesos

for these items. The increase in the net financial cost was due to the revaluation of some European currencies during the amortization term of the outstanding loans and was due also to the new financing obtained in 1973 amounting to 1,264.0 million pesos. The greater expenditure for fuel was due to increased thermal generation, 50% higher than in 1972. The provision for depreciation and amortization was increased not only by the addition of tangible fixed assets but also by the capitalization of salaries and social benefits, as mentioned above.

The investment in plants and equipment in 1973 amounted to 1,070.0 million pesos, 2% lower than in 1972.

Very truly yours,

JOSE LOPEZ PORTILLO
Chairman of the Board

ARSENIO FARELL CUBILLAS
President and Director General

June, 1974.

